GOVERNMENT OF INDIA
FINANCE
LOK SABHA

UNSTARRED QUESTION NO:2025
ANSWERED ON:12.12.2008
REVIEW OF INCOME TAX RATE
Rawat Shri Bachi Singh

Will the Minister of FINANCE be pleased to state:

(a) whether the Transport allowance (TA) of Government employees is exempted from income tax to the extent of Rs. 800 per month;

(b) if so, whether the Government proposes to enhance the exemption limit of TA to the extent of Rs. 3200 and dearness allowance thereon in view of the implementation of the Sixth Central Pay Commission report; and

(c) if not, the reasons therefor?

Answer

MINISTER OF STATE IN THE MINISTRY OF FINANCE:(SHRI S.S. PALANIMANICKAM)

(a) Yes Sir.

(b) No Sir.

(c) The proposal to enhance the exemption limit of transport allowance to the extent of Rs. 3200 per month and dearness allowance thereon is not considered feasible for acceptance in view of the following:-

(i) Transport allowance is a personal allowance and all personal allowance (including salary) are in the nature of remuneration for service rendered as an employee and should, therefore, be liable to tax. As a matter of principle the tax treatment should be neutral across all such allowances and basic wages.

(ii) Since the financial year 2005-06, there has been a sharp increase in the total personal allowances granted to the assessee which are exempt from income-tax. The increase has been substantially higher than the required adjustment for inflation.

(iii) The transport allowance upto a maximum of Rs.800 per month (Rs.9600 per year) will continue to be exempt. As a result the junior level employees will not be significantly affected on account of the taxability of the transport allowance amount in excess of Rs.800 per month.

(iv) Substantial relief over the last four years has been granted to taxpayers across income range by expanding the slabs for personal income-tax rates. Such restructuring has provided significant tax relief to taxpayers.

(v) The increase in exemption limit would result in substantial revenue loss to the Government.